



United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-275369

December 4, 1996

The Honorable Mark W. Neumann
House of Representatives

Dear Mr. Neumann:

This report responds to your October 22, 1996, request regarding commuter rail service in the states of Wisconsin and Illinois. In particular, you asked us to provide you with information on (1) current studies conducted on commuter rail service between Milwaukee and Chicago; (2) the availability of funding to extend commuter rail service from Kenosha, Wisconsin, to Milwaukee, Wisconsin; and (3) the potential for using state funds currently provided to finance Amtrak's Hiawatha passenger rail service between Milwaukee and Chicago to finance commuter rail service between Milwaukee and Kenosha.

In summary, we found that the Southeastern Wisconsin Regional Planning Commission is currently conducting a feasibility study to evaluate the potential for extending commuter rail service between Kenosha and Milwaukee. The results from the study are expected by June 1997. The project would be subject to federal transportation planning requirements, with the final selection of projects for implementation being made by the local metropolitan planning organization in consultation with state officials and local transit operators. Several sources of federal funds may be available to finance commuter rail service, including federal transit funds and flexible highway funds. Finally, both Wisconsin and Illinois provide financial support for Amtrak's Hiawatha service between Milwaukee and Chicago. Any decision to use Wisconsin funds from the Hiawatha service for commuter rail service between Milwaukee and Kenosha would require, at a minimum, action by the Wisconsin legislature.

FEASIBILITY STUDY FOR EXTENDING COMMUTER
RAIL SERVICE FROM KENOSHA TO MILWAUKEE

Proposals to provide rapid transit service in the Milwaukee, Racine, and Kenosha transportation corridor have dated back to the 1960s. Most recently,

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in July 1996, at the request of the cities of Milwaukee, Racine, and Kenosha, the Southeastern Wisconsin Regional Planning Commission—the metropolitan planning organization for southeastern Wisconsin—approved an agreement to conduct a feasibility study for extending commuter rail service from Kenosha to Milwaukee. The feasibility study began in the fall of 1996 and will be completed by June 1997. According to the commission, the study will address such issues as the operating and capital cost of extending commuter rail service, the potential ridership of such service, and the cost and need for track improvements. Both state and local government officials view this study as a first step in the process of potentially establishing commuter rail service between Milwaukee and Kenosha.

Following the completion of the feasibility study, an advisory committee will make recommendations on how to proceed, if at all, on this project. The advisory committee includes representatives of the Wisconsin Department of Transportation, local governments, local transit operators (including Metra¹), the Union Pacific Railroad, and the regional planning commission. If the project proceeds beyond this point, then a major investment study will be conducted. A major investment study is required by federal transportation planning regulations for those highway and transit improvements—including increases in transit service on fixed guideways such as commuter rail—of substantial costs that are expected to have significant effects on such things as the capacity, traffic flow, and level of service in a transportation corridor. According to the commission, a major investment study is a detailed evaluation of a project, its costs, the potential ridership, and the availability of funding. The major investment study would not only consider alternatives, such as buses, to provide the service but would also examine potential environmental impacts.

Projects that are to be financed with federal highway or transit funds are subject to federal transportation planning requirements. In general, federal transportation planning regulations require that major transportation investments (such as a commuter rail project) be included in a transportation plan and a transportation improvement program (TIP). The transportation plan is long term in nature (covering at least 20 years) and includes both long-range and short-range strategies/actions intended to achieve an integrated intermodal transportation system that facilitates the efficient movement of people and goods. The TIP is shorter term in nature (covering not less than 3

¹Chicago's Metra currently provides daily commuter rail service between Kenosha and Chicago.

years) and includes specific projects to be funded with federal highway or transit funds. The TIP includes such information as a description of the project, the estimated total cost, and the amount and source of federal funds to be obligated each year. The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) requires that both the transportation plan and TIP be financially constrained—that is, only include those projects for which funds can reasonably be expected to be available.

Additional planning requirements exist for areas that do not meet national air quality standards and/or that are designated as transportation management areas (those areas with populations of more than 200,000). The Milwaukee-Racine area does not meet federal air quality standards for ozone, and Milwaukee is designated as a transportation management area. The transportation plans and TIPs for these areas must not only conform with state implementation plans for improving air quality but must be developed in accordance with a congestion management system. State air quality implementation plans identify measures, means, and techniques designed to limit air pollution, including transportation control measures such as improved public transit. Congestion management systems are to identify alternatives for alleviating current and future congestion problems and to improve the mobility of people and goods. It is possible that the Kenosha to Milwaukee commuter rail project may be identified as a strategy/project to address air pollution and/or congestion problems in the Milwaukee-Racine-Kenosha corridor.

POTENTIAL AVAILABILITY OF FEDERAL HIGHWAY AND TRANSIT FUNDING

At the federal level, several sources of funds may be available to extend commuter rail service from Kenosha to Milwaukee. These include former Federal Transit Act section 3 (49 U.S.C. 5309) and section 9 (49 U.S.C. 5307) funds.² Section 5309 provides funding for the establishment of new rail or busway projects (new systems), the improvement and maintenance of existing rail and other fixed guideway systems, and the upgrading of bus systems. New systems funding is allocated to states and localities on a discretionary basis by the U.S. Department of Transportation's Federal Transit Administration (FTA), and projects must compete with other projects across the nation to receive funds. FTA applies specific criteria for evaluating potential projects for funding, including alternatives analyses and local funding commitments.

²In 1994, the Federal Transit Act was repealed, and the federal transit laws were codified and reenacted as chapter 53 of title 49, United States Code.

However, the availability of these funds may be affected by statutory earmarks. In fiscal year 1995, Wisconsin obligated \$17.5 million under section 5309, all for bus projects.

Section 5307 is a grant program for urbanized areas to finance capital, operating, and planning assistance for mass transportation. Funds are apportioned to urbanized areas by a formula that is based on population, population density, and other factors associated with transit service and ridership. In fiscal year 1995, Milwaukee obligated \$14.6 million in section 5307 funds—about 60 percent for bus purchases and other bus projects and another 36 percent for transit operating assistance. According to a regional planning commission official, obtaining section 5307 funds for a commuter rail project could prove difficult because these funds are generally committed to existing transit capital and operating needs.

Opportunities may also exist to use federal highway funds for a commuter rail project. ISTEA authorized states and localities to use highway and mass transit capital funds flexibly. In particular, highway funds from the Surface Transportation and Congestion Mitigation and Air Quality Programs can be used to finance mass transit projects. In fiscal year 1995, Wisconsin transferred about \$4.3 million to transit or transit-related projects from these programs—about \$1.7 million from the Surface Transportation Program and about \$2.6 million from the Congestion Mitigation and Air Quality program.

Decisions about how projects are financed and the source and amount of federal funds, if any, to be requested (including transit and flexible highway funds) are made as part of the transportation planning process described earlier. In transportation management areas such as Milwaukee, the metropolitan planning organization—the Southeastern Wisconsin Regional Planning Commission in this case—selects projects for the TIP in consultation with state officials and transit operators. Opportunities are provided for the public to participate in the transportation planning process. Once transit projects are included on a TIP, FTA has established procedures to apply for specific federal grant funds.

**POTENTIAL AVAILABILITY OF STATE FUNDS CURRENTLY
DEDICATED TO AMTRAK'S HIAWATHA SERVICE**

Amtrak's Hiawatha passenger rail service receives financial support from the states of Wisconsin and Illinois.³ According to Amtrak, in fiscal year 1996 (ending June 30, 1996), Wisconsin contributed \$2.9 million to help provide this service, and Illinois contributed an additional \$603,000. An official with the Wisconsin Department of Transportation said that approximately 20 percent of its contribution (about \$573,000) was appropriated by the state legislature, and the remaining 80 percent (\$2.3 million) came from federal highway funds. An official with the Illinois Department of Transportation said that the state's entire contribution was appropriated by the state legislature.

On October 30, 1996, Wisconsin signed a new agreement with Amtrak to continue Hiawatha service from October 1996 to June 30, 1997. Under this agreement, Wisconsin will contribute about \$2.2 million to provide the service. The state of Illinois is also expected to contribute \$500,000. However, according to Amtrak, currently Illinois has only agreed to contribute about \$110,000 to continue the service during October and November 1996 and has further agreed to seek from the state legislature about \$390,000 in additional funding to continue the service from December 1996 to June 30, 1997.

The Chief of the Rail Project Management Section of the Wisconsin Department of Transportation indicated that, at a minimum, using Wisconsin funds from the Hiawatha service to finance a commuter rail project between Kenosha and Milwaukee would require action by the state legislature. This is because the state legislature specifically appropriates funds for Amtrak's Hiawatha passenger service. This official was also not certain if federal highway funds currently used for the Hiawatha could be "reprogrammed" to a commuter rail project.

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We provided the U.S. Department of Transportation and Amtrak with copies of a draft of this report. The Department of Transportation had no comments on the report. Amtrak provided comments that clarified various technical aspects

³Amtrak's Hiawatha passenger rail service between Milwaukee and Chicago consists of 12 trains per day (6 in each direction), except on Sundays, when 10 trains are run. Intermediate stops are made at Glenview, Illinois, and Sturtevant (Racine), Wisconsin.

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of the report and the financial arrangements of Wisconsin and Illinois in continuing the Hiawatha passenger rail service. These comments were incorporated in the report where appropriate.

The information in this report was developed through discussions with state and local officials in Wisconsin and Illinois, as well as Amtrak officials, and a review of pertinent federal legislation and regulations dealing with federal transportation planning and the financing of mass transit investments.

Major contributors to this report were Richard Jorgenson and James Ratzenberger. Please contact me at (202) 512-2834 if you or your staff have further questions.

Sincerely yours,

A handwritten signature in cursive script that reads "John H. Anderson, Jr." followed by a small flourish.

John H. Anderson, Jr.
Director, Transportation and
Telecommunications Issues

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